

Message

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Subject: [Meeting Notes & AIs] PPS - Subscriptions 3/8 + 3/9

bcc: play-ps, play-ps-notes

March 9, 2017

[PPS] Subscriptions PPS Debrief with ^{Jaime Rosenberg} [REDACTED]
 Larissa Fontaine [REDACTED] samer, paulf)

Jamie's input on price + policy change:

- **Pros**
 - **Google revenue: *Small (per model)*. But spend impact is large.**
 - **Developer benefit: *Need more clarity?*** (we have some preliminary data from Netflix; can we get more?); **AI:** come back with more evidence of incremental developer benefit from migrating to Play billing.
 - **Ecosystem goodwill (Developer & public perception): *Positive / real***
 - **App availability on Android: *N/A***; per Larissa
 - **App quality: *Positive / real***; increases dev investment in Android / Play
 - **Market / Pricing forces: *Positive / real***; proposal gets ahead of pricing trends
- **Cons**
 - **Legal / regulatory risk**
 - **Games impact.** Less concerned about games converting business model to subs. More concerned about having to justify 30% for games when they come asking.
 - **AI:** Need strong arguments around why subscription apps rev share drops.
 - **AI:** Analyze distribution of spend over time for games. owner: Samer
 - Payment exceptions: what's our objective criteria for which markets are exempt? owner: Paul F
 - Jamie supportive of equal platform access for all devs, but need to talk more about special deals. Schedule follow up. Owner: Larissa
 - May need to evaluate carrier bundles.

March 8, 2017

[PPS] Subscriptions

Slides: Subscriptions V2 Revisited (privileged; access restricted)

go/play-ps

Outcome:

- Received provisional approval to proceed subject to several AIs

Action Items:

- **Paul Feng** ^{Samer Sayigh} Dig into whether or not to allow linking out to web; language around referencing users can go to web to sign up
- **Paul Feng** ^{Alistair Pott} Make sure to have strong user arguments about why we want to boost Play Billing adoption: e.g. support center on subscriptions
- **Larissa Fontaine** Explore other alternatives for migrating strategic partners
- **Paul Feng** Review with Jamie and share his feedback with Sameer
- **Paul Feng** ^{Samer Sayigh} Follow-up with Finance on forecast

EXHIBIT 8636

Executive Summary*Subscriptions V2 - Policy and Rev Share Follow Up*

- Points of agreement:
 - Improve product regardless of policy decision.
 - Closing the policy loophole is better for users, devs & revenue, but landing will be key.
 - Rev share change needs to be part of the mix to help land policy change.
- Key questions for today:
 - Policy: options & landing the policy change.
 - Spotify plan
 - Marketing: are we willing to spend in support of 3P services incl. music and manga?
 - Pricing: What should we change rev share to?
- Recommendation:
 - (1) Change policy for all (with risk mitigation measures and exceptions)
 - (2) Change rev share to 30(3mo)/15
 - (3) Make go-no go pending Spotify status

Presenter(s) **Paul Feng** **Larissa Fontaine**

Notes:*Goal for Today*

- Follow-up on prior v2 discussion
- Policy change is to have developers exclusively use Play billing

Potential Policy Change Options

- Policy change helps get more revenue from hold-outs and new devs, but comes with cost of cannibalization from already integrated devs due to reduced rev share; policy also has legal / regulatory risk
- Not significant gains over 2 years in revenue because of the change in rev share
- **Sameer Samat**: could end up needing to change rev share; iOS already moving in this direction (in 2nd year) (making base case optimistic)
 - **Larissa Fontaine** largest players are already at 15%
 - **Sameer Samat** but there could be another player offering better than 15% and devs could go with blended approach
 - **Paul Feng** overall, think model is conservative; could be user benefits, benefits from cleaner policy enforcement, etc.
 - **Sameer Samat** user benefits are important, ability to quickly subscribe / unsubscribe, cleaner experience could be worth it - even if it costs money
- **Vineet Buch** if dropping to 15% for "X", how do we distinguish 'games' from 'non-games'
 - **Paul Bankhead** games aren't subscriptions
- **Paul Bankhead** what if we created games subscription? could we keep 30%?
 - **Larissa Fontaine** will get to edge cases; limiting to subscriptions is key; need to discuss whether to limit to consumables vs. non-consumables
 - **Vineet Buch** just need to think through all edge cases; concerned game developers might change monetization to take advantage of lower rev share
 - **Larissa Fontaine** potential for that, but developers currently have good options
 - **Paul Feng** hard to get subscriber to stay for 3 months
- **Paul Bankhead** do we expect fewer special deals?
 - **Larissa Fontaine** it is 10s of deals; don't expect this to impact that significantly
- **Sameer Samat** what is delta between base case and full enforcement option?
 - **Paul Feng** devs like Spotify are included in full enforcement (at 15%) plus the other hold-outs that will be at 30%(3 mos)
- **Paul Joyce** how do we decide between 3 mos vs. 6 mos for rev share change? how does rev share work on intro deals?
 - **Paul Feng** looked at 'effective rev share', 3 mos works out to be around 20 - 24% rev share; avg. subscription length is around 3 months; no rocket science around this - looking at balancing optics, margin impact, etc.
 - **Paul Joyce** want it to be good enough that devs don't complain, but not so good that there is limited room for special deals
 - **Andrew Zaeske** do we know what effective rev share is at 6 mos?
 - samer: it's around 30%
 - **Larissa Fontaine** what matters more is what we think is defensible; devs will complain no matter what
 - **Larissa Fontaine** don't want to sustain special deals; more valuable to not have all of these
 - **Paul Joyce** how does rev share work on intro deals?
 - **Paul Feng** it's based on first full month

Landing Policy Change

- **Paul Bankhead** does pricing policy for subscriptions apply to apps and games?

- Paul Feng: we've been assuming game devs use subscriptions
- Larissa Fontaine and some do
- Vineet Buch: what is it if a music sub service that sends LP each month?
- Larissa Fontaine: that should have to use Play billing
- Vineet Buch: what about Prime?
- Tia Arzu: more issues with allowing sale of physical goods to go through Play billing
- Sameer Samat: how does Apple handle Prime?
- Larissa Fontaine: they do not charge; Apple's policy is very long and detailed around this
- Paul Bankhead: some of these edge cases are worth a lot of revenue

Addressing Major Concern Areas

- Emphasize benefit -- rev share change, product improvements
- Don't want to give permanent exceptions, but could offer grace period for hold-outs
- Sameer Samat: but we'd publicly announce deadline
- Paul Feng: yes, but give them enough time that it wouldn't put a lot of pressure on them
- Linking out to web
- Larissa Fontaine: need to look further into linking out to web
- Paul Feng: but we need something like that
- Vineet Buch: if we allow linking out, that's defeats purpose
- Sameer Samat: would negatively impact their funnel
- Paul Joyce: Apple will not let devs link out at all, or even provide language pointing out at browser
- Paul Joyce: what about linking out for IAP?
- Larissa Fontaine: not allowed today
- Vineet Buch: this is a different type of purchase - IAP is multiple times per day vs. subscriptions being once
- FOPs we don't support
- Sameer Samat: can a dev select an unsupported FOP and then opt out of using Play billing entirely?
- Paul Feng: that's why we don't want blanket exception, but would negotiate exceptions based on circumstance
- Larissa Fontaine: we're looking at payment coverage globally and how well-supported developers will be
- Paul Feng: Imali will help address many of these situations
- Larissa Fontaine: games are more global, getting revenue from multiple markets vs. apps, which tend are more likely to be local

- Strategic hold-outs → need deep collaboration
- Sameer Samat: need to build out user support center here so it is clear how they sign up, cancel etc.

Proposed roll-out plan

- Enforcement would be planned to start mid-2018
- Will have appropriate messaging for users

Pricing Recommendation

- 30% (3 mos) / 15% (>3 mos)
- Keep LRAP / ADAP
- DCB is migrating to 6% or 50/50 for subs spend (currently it's 15%); a few large carriers (KDDI, Softbank) have already migrated; others are coming up for renewal this year
- Sameer Samat: what about 30 / 20 (3 mos) / 15 (1 yr)?
- Larissa Fontaine: hard to land well with developers; may be more confusing
- Larissa Fontaine: not worried about LRAP / ADAP partners; could opt out to standard terms, but then lose product requirements

Sameer's Feedback

- generally supportive subject to:
 - sync this with Finance forecast for next 2-3 years
 - strategic partner options
 - policy edge cases to tighten up
 - pricing options -- get Jamie's feedback here; what would narrative be; what are secondary consequences of reducing price (e.g. competitive response)

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